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FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5554
INFO RUEHBJ/AMEMBASSY BEIJING 6882
RUEHGT/AMEMBASSY GUATEMALA 0134
RUEHMU/AMEMBASSY MANAGUA 0162
RUEHZP/AMEMBASSY PANAMA 0117
RUEHSJ/AMEMBASSY SAN JOSE 0147
RUEHSN/AMEMBASSY SAN SALVADOR 0254
RUEHUL/AMEMBASSY SEOUL 8705
RUEHTG/AMEMBASSY TEGUCIGALPA 0149
RUEHKO/AMEMBASSY TOKYO 8841
RUEHCN/AMCONSUL CHENGDU 1937
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RUEHHK/AMCONSUL HONG KONG 8137
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RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RHHJJAA/JICPAC HONOLULU HI
RUEKJCS/SECDEF WASHINGTON DC
RHHMUNA/USPACOM HONOLULU HI

C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 001283

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E.O. 12958: DECL: 6/04/2032

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SUBJECT: TAIWAN REACTS TO COSTA RICA BREAK

Classified By: AIT Director Stephen M. Young, Reason 1.4 (b/d)

¶1. (C) Summary: In a June 7 press briefing, FM James Huang announced Taiwan was severing relations and ceasing cooperation projects with Costa Rica after having confirmed that San Jose was switching diplomatic recognition to the PRC. Huang blamed Beijing for unrelenting "suppression" of Taiwan in the international arena and offered his resignation to take "political responsibility" for the loss. President Chen rejected the resignation, saying Huang was not at fault, and accused Beijing of "buying" Costa Rica with a total assistance and debt relief package valued at USD 430 million. The loss of this long-standing ally will heighten concerns over the possibility of a cascading "domino effect" throughout Central America and the Caribbean, which hold half of Taiwan's remaining 24 diplomatic partners. End Summary.

Damage Control

¶2. (SBU) In a press briefing at 9:00 a.m. on Thursday June 7, Foreign Minister James Huang announced that Taiwan was severing diplomatic relations with Costa Rica after having confirmed that San Jose had decided to switch recognition to the PRC. Expressing regret over President Arias' decision, and claiming it had resulted from "financial promises and pressure" from Beijing, Huang stated that Taipei would cease all cooperation projects with San Jose. Huang detailed the Foreign Ministry's sustained efforts to monitor the situation and hold on to this formerly close ally in Central America.

¶3. (SBU) Huang pointed out that prior to becoming president last year, Arias had already expressed interest in switching recognition to Beijing. Taipei had noted with "great concern" Arias' meeting with Chinese Foreign Minister Li Zhaoxing at the UN last September and Costa Rica's vote against Taipei's bid to join the WHO this May. Huang insisted that Costa Rica's plan to change recognition to Beijing was long-term and not a reaction to recent developments, such as Taiwan's application to join WHO or its recent success in persuading St. Lucia to switch from Beijing

to Taipei.

¶4. (SBU) Taiwan had sought by all possible means to shore up relations with Costa Rica and convince Arias, a Nobel Peace Prize winner, that his country's best interests lay with continuing its 60-plus year relationship with a democratic, free Taiwan rather than an autocratic Communist China, Huang said. Nevertheless, he acknowledged, his ministry's efforts were not enough to counteract Beijing's unrelenting "suppression," and Huang offered his resignation to take "political responsibility" for the loss. President Chen Shui-bian later in the day declined to accept Huang's resignation, saying the loss was not Huang's fault and accusing Beijing of "buying up" Costa Rica with a total package valued at USD 430 million.

¶5. (C) FM Huang told the Director that he still might insist on resigning to allow President Chen a free hand to manage this latest crisis, but by end of day the absence of Taiwan media coverage on this side show suggests Huang will stay on, at least for now. Comment: That said, a primary responsibility of Taiwan's foreign minister is to protect its diplomatic stable, so Huang will continue to face some pressure to step down, particularly if other alliances falter in the coming days. End Comment.

Domestic Fallout

¶6. (C) President Chen and Foreign Minister Huang have strongly criticized Beijing for promising an "astronomical amount" of money to pick off one of Taipei's longest-held,

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staunchest allies--since 1944--in the region. President Chen argued that Beijing would continue to "suppress" Taiwan and keep up its diplomatic offensive even if the opposition Kuomintang were in power. He pointed out that PRC-controlled Hong Kong had denied Ma Ying-jeou a visa in 2005. In an indirect reference to Ma and the KMT, Chen also asserted that policies of "appeasement" would fail to deter Beijing.

¶7. (C) Opposition KMT legislators predictably rushed to attribute this latest diplomatic setback to inept diplomacy by the Chen administration, stressing the root cause was President Chen's confrontational approach to Beijing and cross-strait relations. Legislator and former FM John Chiang (Hsiao-yen), grandson of former President Chiang Kai-shek, charged that Chen had pursued a "mistaken" foreign policy strategy that "enflames" Beijing, such as pushing for entry into international organizations like the WHO under the name "Taiwan." Chiang also criticized the Taiwan Foreign Ministry for incompetence, predicting that another 4-5 diplomatic partners might defect to Beijing by the time Chen steps down in May 2008.

The First Domino?

¶8. (C) With the loss of Costa Rica, Taiwan now has 24 diplomatic partners, down from 29 when President Chen took office in 2000. MOFA officials have previously expressed to AIT concern that the loss of an important ally like Costa Rica in a region like Central America, where Taiwan held solid diplomatic sway, could prompt other partners there and in the Caribbean to bolt. Nicaragua and Panama are commonly mentioned as most vulnerable. So far Taiwan has managed to retain Nicaragua despite leftist Daniel Ortega's election to the presidency last November, in part because of Taipei's large investment in textiles and foreign assistance programs there. To shore up relations in the region, Vice President Annette Lu is planning a trip next month. President Chen is also planning a summit with Central American heads-of-state in the region later this summer.

¶9. (C) National Chengchi University Professor Yen Chen-shen

told AIT that countries which seek a more prominent role for themselves in international or regional forums have "no choice" but to recognize the PRC. Yen pointed to the example of Senegal, which switched relations to Beijing in 2005 as it sought to become a leader in Francophone Africa. Tamkang University Professor Kung Kwo-wei recently told AIT that each country in Central America has its own particular interests in maintaining relations with Taiwan. If a key partner such as Costa Rica or Panama switched recognition to Beijing, however, it could encourage other Central American states to begin reassessing their relationship with Taipei, though they would be unlikely to break relations immediately, Kung predicted.

Comment

¶10. (C) In damage control mode, the Foreign Ministry and President Chen hope the public will buy their argument that Beijing and not the DPP administration is to blame for this latest diplomatic reversal. Criticizing Beijing is good politics in an election year because it allows the DPP to score points against the opposition KMT for naivete in its rush to cozy up to the PRC. By detailing MOFA's diplomatic efforts, Huang sought to undermine the KMT argument of administration ineptness and also to protect his own position. Other than a possible shift down the road by Nicaragua, Taiwan expects to hold on in Central America for the near term. Nonetheless, the longer term prospects do not look good because the larger countries that recognize Taiwan will be vulnerable to the lure of a "rising China."

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YOUNG